

COMMITTEE WORKSHOP
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Renewables Portfolio Standard 2005) Docket
Procurement Verification) 03-RPS-1078
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

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A.M. SESSION

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

John L. Geesman, Presiding Member

Jackalyne Pfannenstiel, Associate Member

ADVISORS PRESENT

Suzanne Korosec

STAFF PRESENT

Jason Orta

ALSO PRESENT

John Pappas
Pacific Gas and Electric Company

Manuel Alvarez
Southern California Edison Company

Gary Allen (via teleconference)

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P R O C E E D I N G S

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PRESIDING MEMBER GEESMAN: This is a workshop of the California Energy Commission's Renewables Committee on the staff draft RPS procurement verification report.

I'm John Geesman, the Presiding Member of the Renewables Committee. To my right is Commissioner Jackalyne Pfannenstiel, the Associate Member of the Committee and also the Chair of the Commission.

To my left Suzanne Korosec, my Staff Advisor.

And, Mr. Orta, why don't we turn it over to you for a brief presentation of the verification report.

MR. ORTA: Thank you, Commissioner. Good morning, everybody. First of all I'd like to apologize for the slight delay in the beginning of this workshop. And also, if you are listening to it online, and you would like to call in, the correct number is 800 369-1162. If they ask you for the call leader it's Mr. Jason Orta; and the passcode is workshop.

As mentioned, this is a brief

1 presentation on the staff draft of the RPS
2 verification report.

3 This report comes out of -- basically
4 this report verifies the procurement by the
5 investor-owned utilities towards their RPS targets
6 for the years 2004 and 2005.

7 Senate Bill 1078 requires the Energy
8 Commission to implement a tracking system to
9 verify RPS procurement. This report was also
10 prepared in collaboration with the CPUC; and then
11 through the development of the staff draft, we
12 have worked with representatives of the investor-
13 owned utilities in preparing this report.

14 And this report is expected to be
15 prepared and transmitted to the California Public
16 Utilities Commission on an annual basis.

17 The purpose of this report, again, is to
18 verify the eligibility and procurement of
19 renewable resources, basically if those renewable
20 facilities are certified as RPS eligible. This
21 report also applies the statutory requirements and
22 CPUC decisions to identify eligible procurement.

23 This report also compares the
24 procurement with the RPS targets set by the CPUC;
25 and also the Energy Commission Staff, in this

1 report, makes an estimate as to how much of that
2 procurement is eligible towards those targets.

3 This report also verifies if out-of-
4 state facilities meet delivery requirements. And
5 although this category was removed through statute
6 in SB-107, which went into effect January of this
7 year, this report still quantifies incremental
8 geothermal for the year 2005.

9 Of course, the methodology of this
10 report is as follows: An interim tracking system
11 that was used that compares the procurement with
12 various sources of generation data. In mid 2007
13 this interim system will be replaced by the
14 Western Renewable Energy Generation Information
15 System which is commonly known as WREGIS.

16 And finally, this report also compares
17 procurement from the same facility with that of
18 other retail sellers to check to see if that
19 energy is not double-counted.

20 The following are the sources of data
21 that were used to complete this report: The
22 procurement data came from filings by PG&E, SCE
23 and SDG&E on CEC RPS track forms, which are due to
24 the Commission every year on March 1st.

25 Also, procurement data was also reported

1 to the power source disclosure program in which 30
2 retail providers, including the aforementioned
3 investor-owned utilities did submit annual reports
4 for the year 2005.

5 That procurement is compared to
6 generation data that is reported to the Energy
7 Commission in three places. First of all, the
8 funding programs for renewables; also the PIER
9 program has a wind data program where they collect
10 data from various wind facilities; and finally,
11 it's the CEC 1304 regulations in which generators
12 over 1 megawatt report generation to the Energy
13 Commission.

14 Other sources of data also include
15 filings from RPS-certified facilities. Data
16 that's reported to the federal government and
17 listed on the energy information administration's
18 website.

19 Also there's some data that we get from
20 the States of Washington and Oregon in the western
21 states tracking system.

22 And also in putting together this report
23 we requested invoices from the investor-owned
24 utilities if the generation data indicated that
25 procurement exceeded the generation by 5 percent

1 or more.

2 It was a previous edition of this report
3 that was adopted in February of 2006. There are
4 some changes in methodology in the staff draft.
5 And this is a reflection of the CPUC's October
6 2006 decision on RPS accounting rules.

7 This decision introduces what's known as
8 the initial baseline procurement amount, which
9 serves as a baseline for future targets.

10 The first year of an annual procurement
11 target is the year 2004. Another change is that
12 the incremental procurement target is not a stand-
13 alone target, but it does tell us the additional 1
14 percent of renewable that needs to be procured
15 each year.

16 And also the analysis for 2004 in this
17 report has been revised from last year's report to
18 reflect this new decision.

19 This new methodology also includes the
20 following procurement: Procurement from
21 facilities that don't have their RPS
22 certification. Another exclusion is if generation
23 data indicates that the procurement exceeds
24 generation by 5 percent or more. And procurement
25 from distributed generation facilities.

1 There are some limitations to the
2 interim tracking system. Procurement is not
3 checked in states other than California, Oregon
4 and Washington. There's no means to cross-check
5 with unbundled renewable energy credit sales.
6 Generation data, all the ones that I mentioned,
7 are from self-reported sources.

8 Although the report only identifies
9 generation data for 73 percent of the facilities,
10 we have found generation data for 99 percent of
11 the megawatt hours that were claimed in the RPS
12 tracked filings.

13 And, again, we've also asked the
14 utilities for invoices in some cases where
15 necessary. However, there are also cases, if you
16 look at the appendix of the report, that
17 generation also exceeds procurement the other way
18 around. Generation exceeding procurement by 5
19 percent or more is also -- the excess generation
20 may be sold to another party in those case.

21 Or another reason why this disparity
22 seems to occur is that there's also some
23 difficulty in identifying the facilities for
24 verification. Accounting for wind facilities, for
25 example, there's some difficulties there because

1 portions of wind facilities, i.e., a couple of
2 turbines, may get sold to different parties, or
3 become part of different facilities. So there's
4 some difficulty tracking there.

5 Again, the CPUC's October 2006
6 accounting rule decision introduces this initial
7 baseline procurement amount which equals the 2001
8 RPS eligible procurement, plus 1 percent of 2001
9 retail sales.

10 So basically what you have here are the
11 column on the far right is the initial baseline
12 procurement amount, but the two middle columns, if
13 you add those two together that's what you get for
14 the initial baseline procurement amount. And this
15 table lists that for the three utilities.

16 This table is also a reflection of,
17 again, the change in methodology in preparing this
18 report. This table shows the annual procurement
19 targets for the year 2004. And it compares that to
20 the procurement that was reported to the Energy
21 Commission in the utilities' filings.

22 Another column, the fourth column from
23 the left, shows how much of that procurement the
24 Energy Commission estimates it will count towards
25 the annual procurement target.

1 In this example it excludes distributed
2 generation, uncertified facilities that don't have
3 their RPS certification. And also in one
4 particular case with PG&E there's still this issue
5 of resolving procurement from -- verifying the
6 total procurement from this one facility in which
7 another retail provider purchased RECs from that
8 facility, as well. So there's still some
9 reconciliation in that one case for PG&E.

10 The next slide shows those same totals
11 for 2005. Again, it basically compares the
12 procurement that was reported to the Energy
13 Commission, the procurement that we estimate
14 counts towards the annual procurement target, and
15 their progress towards the annual procurement
16 target for that year.

17 Another reminder is that the procurement
18 claim towards the annual procurement target does
19 not include any kind of banking or carryover from
20 previous years. This is just looking at
21 procurement claims from the years 2004 and 2005.

22 This table is basically a summary of how
23 many facilities the utilities procured -- RPS-
24 certified facilities the utilities procured
25 generation from. In 2005 that was 426 facilities;

1 and that was over 22 million megawatt hours.

2 This table also shows, again, as I
3 mentioned earlier, we found generation data for
4 over 70 percent of the facilities, which is
5 roughly 99 percent of the procurement that was
6 claimed.

7 This table shows how many of those
8 facilities that we were able to find data for and
9 not find data for. And it also compares the
10 procurement totals for each of those types of
11 facilities.

12 And finally, written comments are due on
13 Monday, March 19th. And also here is my contact
14 information. And, again, I would like to thank
15 all of you for attending.

16 PRESIDING MEMBER GEESMAN: Thank you,
17 Jason. Are there any questions from here on the
18 dais?

19 We've got some blue cards. Why don't we
20 take the ones in person first. John Pappas, PG&E.

21 MR. PAPPAS: I'm John Pappas from PG&E.

22 PRESIDING MEMBER GEESMAN: Is your
23 microphone on, John? Green light will come on.

24 MR. PAPPAS: I think, yeah, the green
25 light is on. Can you hear me now?

1 PRESIDING MEMBER GEESMAN: Okay.

2 MR. PAPPAS: Thank you, Commissioners
3 Geesman and Pfannenstiel, and the Renewables
4 Committee for giving me the opportunity to speak.

5 First of all, PG&E compliments the CEC
6 on its efforts in preparing the 2005 RPS
7 procurement verification report. It's a
8 significant effort, requiring attention to detail
9 and a thorough review of numerous data sources as
10 Jason has reported on.

11 Overall, we concur with the findings in
12 the report with the exception of the following
13 comments in two basic areas.

14 The first one is 4 megawatt hours of
15 generation from a QF solar project has been
16 categorized as distributed generation in 2004 and
17 2005 instead of RPS eligible. And we believe the
18 CEC should count this as generation that's RPS
19 eligible for the following reasons:

20 First of all, the facility is not
21 distributed generation. It's a QF that has sold
22 power to PG&E under standard offer 3 power
23 purchase agreement since 1993.

24 The facility was operated continuously
25 under this standard offer 3 PPA since that time to

1 the present day. The export generation has been
2 essentially constant over the life of the PPA.
3 And we believe it should be counted towards the
4 target just like any other generation from QF
5 facilities under standard offer 3 agreements.

6 The facility's metered; read manually
7 each month. It's a 7 kW solar facility which is
8 the only generating facility that's connected to
9 this meter. We pay for the generation quarterly.
10 I have available the power purchase statements.
11 And, again, we believe that it should be
12 categorized as distributed generation -- not as a
13 distributed generation facility, but as a QF. And
14 it should count.

15 The second comment, and Jason I think
16 alluded to this in his presentation, is that the
17 staff has not counted 14,540 megawatt hours of
18 generation that PG&E purchased from the Sierra
19 Pacific Burney facility towards PG&E's 2004 APT.
20 So this is strictly just related to 2004.

21 The reason for this is that the sum of
22 the generation paid for by PG&E and the generation
23 reported by another retail provider exceeded the
24 generation reported by the facility by more than 5
25 percent.

1 And apparently this is because Sierra
2 Pacific sold the RECs associated with non-PG&E
3 sales to three phases. We believe the CEC should
4 give full credit to PG&E for this for the entire
5 70,452 megawatt hours it purchased from Sierra
6 Pacific for the following reasons:

7 One, we procured this bundled renewable
8 energy under a standard offer 4 QF power purchase
9 agreement, under which this facility began selling
10 to PG&E back in 1986, Public Utilities Code
11 399.15. Pursuant to that, deliveries from this
12 facility are part of the baseline quantity of
13 PG&E's RPS procurement. And then SB-107 has
14 confirmed in PUCode 399.16 that deliveries under
15 such contracts should continue to be included in
16 the baseline quantity of eligible renewable
17 resources for the purchasing retail seller. And
18 that no RECs should be created for electricity
19 generated pursuant to such a contract unless the
20 contract provides for RECs.

21 The CEC does not question the purchase
22 and receipt of power pursuant to the contracts.
23 Again, we should get credit for all the deliveries
24 pursuant to the contract from 2004 on this.

25 My understanding is that the CEC has

1 been in contact with Sierra Pacific, as well as
2 Three Phases, as have we, to try to at least
3 figure out, you know, why there is this
4 discrepancy. Apparently I think Sierra Pacific
5 was -- their intention was to sell behind-the-
6 meter RECs to Three Phases. I'm not sure why the
7 numbers don't add up.

8 But in any event, whatever happens
9 there, PG&E should get full credit for the bundled
10 power that it purchased, and not have any
11 disallowance at all.

12 So, those are my comments.

13 ASSOCIATE MEMBER PFANNENSTIEL: John,
14 could I just -- could I get a clarification of the
15 amount of energy you're talking about from these
16 two different projects?

17 MR. PAPPAS: Yes. Okay, on the solar
18 project, which is also in our baseline, that's a
19 very small amount; it's 4 megawatt hours per year.
20 So it's not a lot of megawatt hours, but it's
21 still the principle on that one.

22 PRESIDING MEMBER GEESMAN: And that
23 would impact both the '04 and '05 --

24 MR. PAPPAS: '05, yeah, --

25 PRESIDING MEMBER GEESMAN: -- tables?

1 MR. PAPPAS: Whereas, on the Sierra
2 Pacific Burney facility, that's strictly just '04;
3 and that's 14,540 megawatt hours. So that's truly
4 a significant amount.

5 MR. ORTA: I'd be glad to speak to --
6 corrections. That's the disputed amount or the
7 difference --

8 MR. PAPPAS: Right.

9 MR. ORTA: The actual generation from
10 the facility at Burney is 70,452,000 kilowatt
11 hours, of which the difference is --

12 MR. PAPPAS: Right. I think, you were
13 asking me about the difference, right?

14 ASSOCIATE MEMBER PFANNENSTIEL: Yes, I
15 was.

16 MR. PAPPAS: Okay.

17 ASSOCIATE MEMBER PFANNENSTIEL: Thank
18 you.

19 MR. PAPPAS: And the number I gave you
20 was megawatt hours, which is 14,540 --

21 ASSOCIATE MEMBER PFANNENSTIEL: Yeah,
22 thanks, I got that. Thank you very much.

23 PRESIDING MEMBER GEESMAN: Thanks, John.

24 MR. PAPPAS: Okay, thanks.

25 PRESIDING MEMBER GEESMAN: Manuel

1 Alvarez, Southern California Edison.

2 MR. ALVAREZ: Good morning,
3 Commissioners. I believe you have someone on the
4 phone, if --

5 PRESIDING MEMBER GEESMAN: Yes, Gary
6 Allen is on the phone, as well.

7 MR. ALVAREZ: Actually there's just a
8 couple of items that I want to bring to your
9 attention. And I guess I put them both in the
10 category of, you know, historical remnants of a
11 changing system here.

12 One is the incremental procurement
13 activity. There's a number of places where we
14 believe that that information is not necessary in
15 the report anymore.

16 So we'd like to consider removing a lot
17 of that information. Or, if necessary for
18 historical reasons to make it available, perhaps
19 it could be footnoted in the document. And then
20 the staff could have it available if people want
21 to go back and review that history.

22 The other item deals with excluding the
23 net energy metering information. We're aware of
24 the PUC decision not to include that, but that
25 decision wasn't retroactive to 2004, '5 and '6.

1 And, again, it's one of those issues
2 where it's a remnant of history. And perhaps we
3 should leave the information in there and count it
4 in those earlier years.

5 Thank you.

6 PRESIDING MEMBER GEESMAN: Does Mr.
7 Allen wish to say anything?

8 MR. ALLEN: Manuel included
9 substantially all of my comments. But we will be
10 filing some written comments.

11 We are, in fact, in some discussions
12 with Mr. Orta on several small projects beyond
13 what we've discussed here. And we were hoping we
14 can reach some agreement on those.

15 Thank you.

16 PRESIDING MEMBER GEESMAN: Thank you,
17 Gary. I should note for everyone on our notice,
18 we indicate that we're attempting to get written
19 comments submitted to us by March 19th.

20 Is there anyone else in the room that
21 cares to address us? Anyone else on the
22 telephone?

23 Does staff have anything more to add?

24 I think we're done, then.

25 I thank you all for your participation.

1 We'll be adjourned.

2 (Whereupon, the Committee workshop was
3 adjourned.)

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